

# South Somerset Employment Land Evidence: Review of FEMAs and Understanding Market Trends

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*Final Report*

**Prepared on behalf of South Somerset District Council**

July 2017

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## Executive Summary

- i HJA was appointed by SSDC to provide evidence on short-term issues in the commercial property market, based primarily on consultation with local commercial property market stakeholders. Three objectives were set for this research. To:
- Review the previously identified functional economic market area (FEMA) and consider any sub areas within it;
  - Understand what has happened in the commercial market over last 10 years; and
  - Consider the implications for current market demand.

### Review of the FEMA and Sub Areas

- ii FEMAs are intended to capture the way in which the economy and commercial property markets work. Previous research by ORS in 2015 suggested that South Somerset broadly comprised a FEMA in its own right, although accepting parts of West Dorset fall within it. Analysis of commuting data and consultation with a range of commercial market stakeholders confirms this finding. It is therefore appropriate to consider the South Somerset District as a FEMA for planning purposes.
- iii The district broadly forms a single commercial property market, meeting local needs. It is not a strong office market location. Office occupiers will typically look to Taunton or Poundbury ahead of Yeovil or other locations in the district. There is some characterisation of Yeovil and A303 Corridor market areas within the district, however, these are not so clear cut as to make them categorical. Historically Yeovil has been the dominant economic centre in the district and it retains this position, however, in terms of commercial development in recent years it has struggled to deliver, with rural sites accounting for the lions share of development.

### Commercial Market and Short Term Demand

#### Office

- iv The office market is perceived as weak, with much stronger offers in major urban centres such as Taunton, Bristol and Exeter. Historically the office market in the district has been underpinned by public sector requirements. At present public sector occupiers are consolidating and withdrawing from occupied space with no indication this will change. The private sector market is largely small and micro occupiers. Small scale serviced office space proves popular but there is little demand for larger floorplates.
- v Based on the views of stakeholders the short-term requirement for office development is low to non-existent. Demand for offices that does come forward is expected to be from local businesses as they start-up and grow. It is anticipated that where possible, businesses will seek to intensify occupation of existing floorspace in the first instance.

## **Industrial**

- vi South Somerset is characterised as a largely industrial area in terms of its commercial employment property market. Completions over the past 10 years have been predominantly industrial (B1c, B2 and B8) in nature.
- vii There continues to be demand for industrial premises. Vacancy is reported to be low, with the strongest demand predominantly for smaller unit sizes. Demand is stronger for freehold than leasehold arrangements. Cost is a substantial issue for occupiers and there is no substantive evidence of major requirements that will lead to the unlocking of strategic sites. In the near term it is expected to be 'more of the same', with proactive landowners and developers delivering where there is a clear end user in place. This is likely to be on sites where infrastructure is already in place as the costs of delivering infrastructure are seemingly prohibitive.

## **Development**

- viii The development market is subject to a number of constraints. Viability is the biggest challenge, particularly for strategic sites that require substantial infrastructuring. This is challenging in an environment where the majority of strategic allocations in the Local Plan require substantial infrastructure provision. As a result, a substantial proportion of recent development has been outside the main towns. Speculative development is viewed as unlikely in either the office or industrial sectors due to the challenges of viability. Until such time as rental levels increase this is not expected to change.

## **Policy Implications**

- ix The market evidence poses challenges for SSDC as policy makers. On the basis of the evidence the areas for policy focus should include:
  - Planning for employment land on a district wide basis in line with the FEMA analysis.
  - Considering the future economic role and function of Yeovil and the district, potentially as part of a wider economic development strategy.
  - Considering how best to capitalise on opportunities around A303 improvements.
  - Ensuring allocations across a mix of land ownerships where possible to provide additional competition in the land market.
  - Considering ways to tackle the viability challenge, including:
    - Seeking to retain and upgrade existing employment sites.
    - Taking a positive approach to innovative proposals to deliver higher values or lower cost construction and bring forward employment development
    - Considering how to deliver infrastructure to open up strategic sites to bring forward employment land.
    - Considering how best to utilise sites where SSDC and other public sector partners have influence.
    - Seeking to coordinate and direct public sector financial resources in ways which can support the development of employment sites and premises.
    - Taking policy approaches which are sufficiently clear to reduce expectation of residential value returns on employment sites.



# 1 Introduction

- 1.1 South Somerset District Council (SSDC) is currently undertaking an early review of the South Somerset Local Plan. In order to inform this review, the Council requires robust evidence prepared in line with national policy and practice guidance.
- 1.2 HJA was appointed by SSDC to provide evidence on short term issues in the commercial property market, based primarily on consultation with local commercial property market stakeholders. This report sets out the results of the study and will form part of the evidence base to underpin employment and economic policies within the Local Plan.
- 1.3 This report complements a second research study which sets out a review of long-term economic forecasts for the district, and their implications for future employment sites and premises requirements.

## Objectives

- 1.4 Three objectives were set for this research. To:
  - Review the previously identified functional economic market area (FEMA) and consider any sub areas within it;
  - Understand what has happened in the commercial market over last 10 years; and
  - Consider the implications for current market demand.
- 1.5 The report is structured around these three objectives.

## 2 Review of the FEMA and Sub Areas

- 2.1 This chapter considers the functional economic market area (FEMA) relevant to South Somerset and whether there are any relevant sub-areas that affect the workings of the commercial market in the District.

### Policy and Guidance

- 2.2 A functional economic market area (FEMA) is not constrained by administrative boundaries but reflects the way the economy works; the relationships between where people live and work, commercial property markets and the scope of service market areas and catchments.
- 2.3 Paragraph 160 of the National Planning Policy Framework (NPPF) states that *Local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area* (emphasis added). No detail on defining such markets is set out within NPPF although paragraph 180 states that *local planning authorities should take account of different geographic areas, including travel-to-work areas and is clear on the need for local planning authorities to work together on issues with cross boundary impacts*.
- 2.4 Section 2a of Planning Practice Guidance relates to housing and economic development needs assessments. Paragraph 007<sup>1</sup> states that *Local planning authorities should assess their development needs working with the other local authorities in the relevant...functional economic market area in line with the duty to cooperate* (emphasis added). Paragraph 009<sup>2</sup> relates to identifying the assessment area and states that *no single source of information on needs will be comprehensive in identifying the appropriate assessment area; consideration should be given to the appropriateness of each source of information and how they relate to one another*. Paragraph 012<sup>3</sup> is titled how can functional economic market areas be defined? This paragraph is set out below:

*“The geography of commercial property markets should be thought of in terms of the requirements of the market in terms of the location of premises, and the spatial factors used in analysing demand and supply – often referred to as the functional economic market area. Since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area, however, it is possible to define them taking account of factors including:*

- *extent of any Local Enterprise Partnership within the area;*
- *travel to work areas;*
- *housing market area;*
- *flow of goods, services and information within the local economy;*
- *service market for consumers;*
- *administrative area;*
- *Catchment areas of facilities providing cultural and social well-being;*

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<sup>1</sup> ID:2a-007-20150320

<sup>2</sup> ID:2a-009-20140306

<sup>3</sup> ID:2a-012-20140306

- *transport network.”*

- 2.5 The Planning Advisory Service (PAS) technical advice note on Objectively Assessed Need<sup>4</sup> states that (paragraphs 5.32 – 5.35):

*“An economic market area is an area in which businesses search for sites and premises. Much of the demand for land for economic uses can be met by sites either side of an administrative boundary, so long as these sites are in the same economic market area. ... as noted in the PPG, economic market areas may be defined as labour market areas, which are areas of commuting closure – meaning that a high proportion of all journeys to work occur within the area. They may also be seen as areas of search for business location.*

*One would expect HMAs and economic market areas to be geographically similar, because in broad terms both are largely determined by the reach of a daily return trip. Just as households’ location decisions are largely driven by access to jobs and services, business location decisions are largely driven by access to the workers that fill those jobs and the customers who consume those services.*

*For this reason, and also for convenience, it is helpful if HMAs and economic market areas are coterminous. This makes both analysis and policy-making more manageable.”*

## **Existing Research**

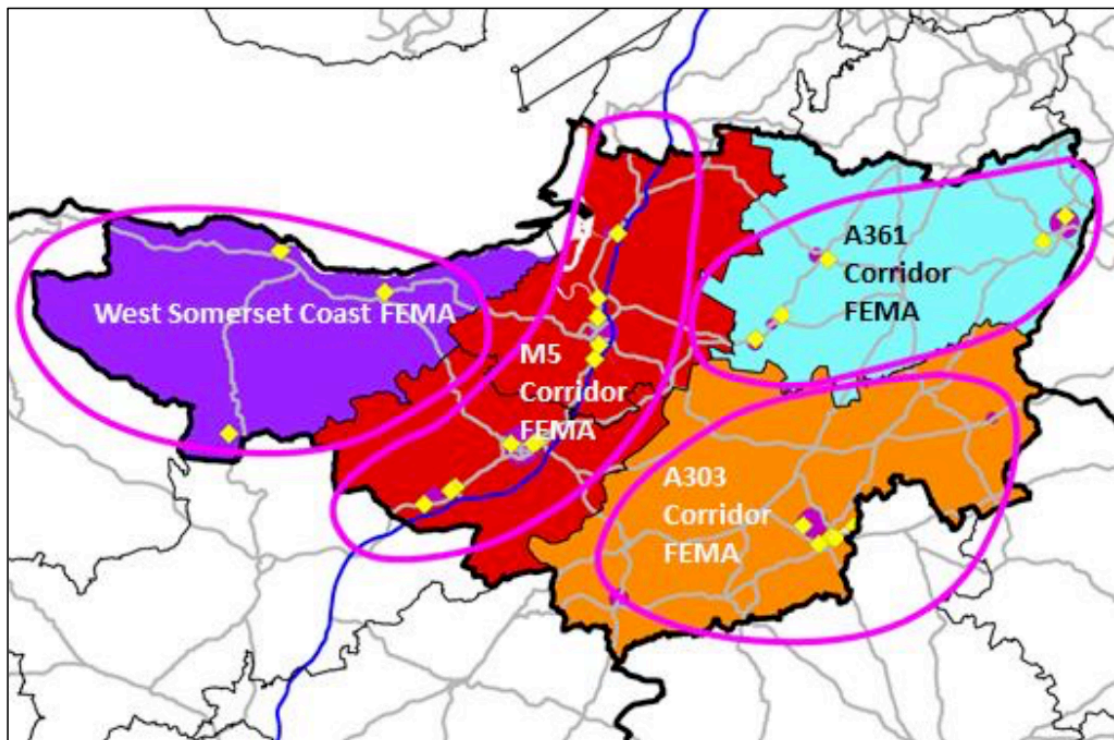
- 2.6 The *Housing Market Areas and Functional Economic Market Areas in Somerset*<sup>5</sup> report was published in September 2015. The research was undertaken by Opinion Research Services (ORS) on behalf of the five district councils in Somerset. This was developed on the basis of the policy and guidance set out above. The ORS study reviewed previous evidence identifying housing market areas (HMAs) and FEMAs, it assessed commuting data, migration data and a range of housing market data, travel to work areas, transport infrastructure and business and employment data.
- 2.7 Figure 2.1 summarises the conclusions of the ORS work to identify FEMAs across the county of Somerset. This identifies four FEMAs, three of which broadly fit to district boundaries (West Somerset, Mendip and South Somerset) and one which includes two districts (Taunton Deane and Sedgemoor). What has been named the ‘A303 Corridor FEMA’ has a strong correlation with the South Somerset District boundary. There is a small amount of overlap with West Dorset District. The definition of this FEMA is very similar to the HMA relevant to South Somerset District. The ORS report recommends adoption of the ‘best fit’ HMAs based on the district boundaries, providing alignment between the FEMA and HMA and the South Somerset District Boundary.

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<sup>4</sup> Planning Advisory Service (2015) Objectively Assessed Need and Housing Targets Technical Advice Note: Second Edition

<sup>5</sup> ORS (2015) Housing Market Areas and Functional Economic Market Areas in Somerset

**Figure 2.1 Proposed Local FEMAs in Somerset (ORS 2015)**



### **FEMA Review**

- 2.8 HJA has undertaken its own analysis of commuting data, using a different approach to ORS, to sense check the FEMA conclusions. The boundaries of the FEMA were also discussed with stakeholders consulted as part of the research fieldwork. A list of consultees is provided at Appendix 1.

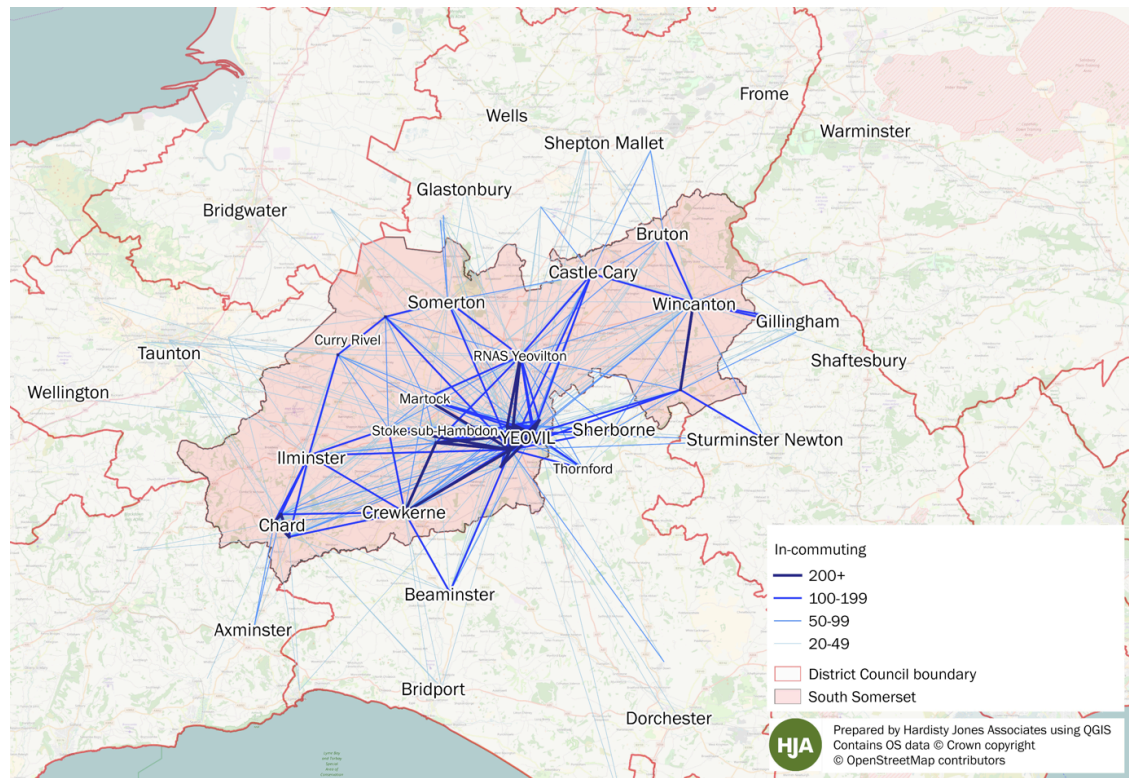
### **Commuting Data**

- 2.9 Figures 2.2 and 2.3 show in-commuting and out-commuting patterns for South Somerset District. Full page versions are included at Appendix 2.
- 2.10 Figure 2.2 maps the flows of workers to jobs based in the South Somerset District. This shows the strength of connections within the district, particularly centred on Yeovil, as the largest urban area. There are cross boundary flows, but in the main these are much weaker, as illustrated by the fainter lines. The strongest in-commuting links from outside the District are from West Dorset including Sherborne, Thornford and Beaminster. Given the proximity of Sherborne to Yeovil it is not surprising that there are clear travel to work linkages.
- 2.11 Figure 2.3 maps the flows of workers who are resident in South Somerset, to their place of work, wherever that may be. This again shows a very strong network of connections within the South Somerset District. Cross boundary flows continue with Sherborne and Thornford. There are also stronger connections in terms of outflow to Taunton reflecting its economic status as a larger employment centre.

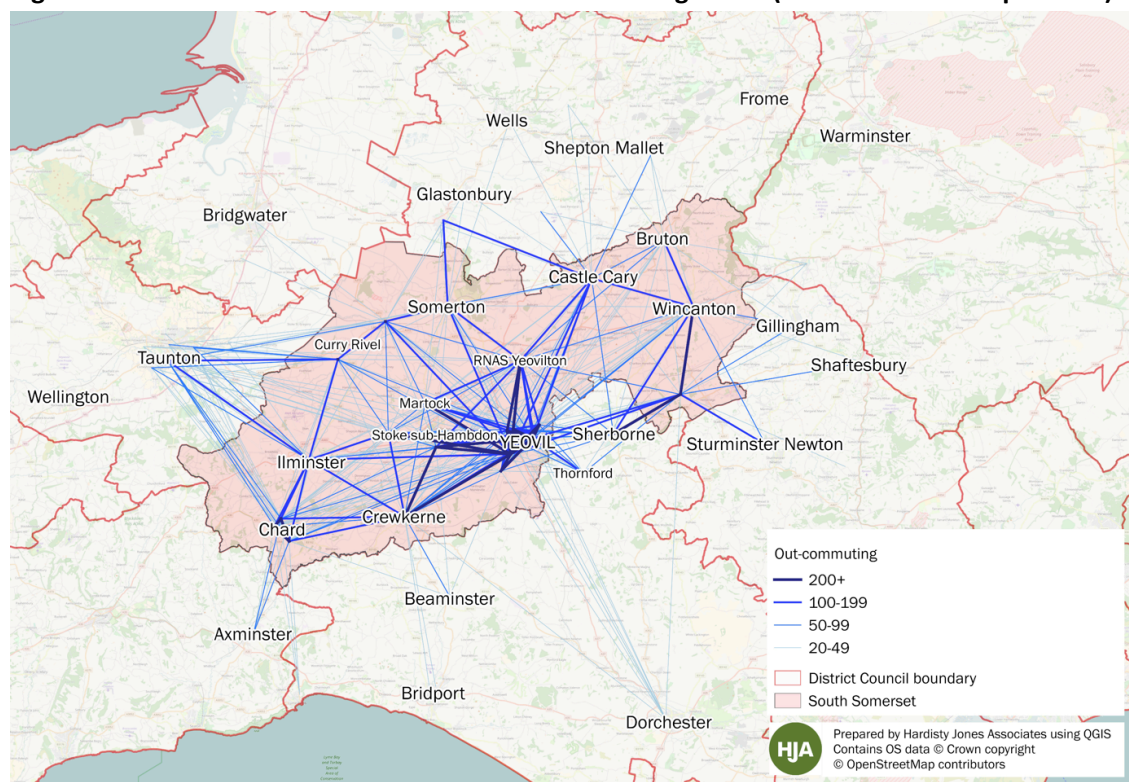


- 2.12 Overall there is a high degree of self containment. 80% of South Somerset resident workers have jobs located in the District, and 81% of all jobs in the district are filled by residents.

**Figure 2.2 South Somerset Workplace Based Commuting Flows (2011 Census of Population)**



**Figure 2.3 South Somerset Residence Based Commuting Flows (2011 Census of Population)**



## **Consultee views**

- 2.13 Discussions with consultees to ascertain the nature of commercial property markets broadly confirmed the findings of the commuting analysis. There are some cross boundary connections, including to Sherborne, Taunton and Poundbury. However, the South Somerset market is largely localised. Taunton forms part of the M5 corridor zone, which is seen as distinct, offering something quite different to South Somerset. The larger urban centre of Taunton is also seen as more of a white-collar centre attractive to office occupiers, as opposed to the more industrial and trade based market in South Somerset. Poundbury is also seen as having a stronger office offer in a small town setting than Yeovil. There was no suggestion from the consultations that the West Dorset and South Somerset areas form a single market area. Therefore the consideration of South Somerset as its own FEMA, whilst acknowledging some external relationships, remains appropriate.

## **Sub-Areas**

- 2.14 In commercial market terms the consultees were split as to whether South Somerset should be considered as one or two sub-markets. If two are considered they would be characterised as Yeovil and the A303 corridor. There was also occasional suggestion that Wincanton is something of an outlier in market terms, but still firmly comprises part of the A303 corridor.
- 2.15 Yeovil is clearly the largest centre in both population and economic terms in the district. It therefore plays a slightly different role to the more rural parts of the district. Some concerns about congestion around Yeovil and on its links to the A303 also create some distinction. There have been quite different patterns of development in recent years between Yeovil and the rest of the district. This is discussed in more detail in the following chapter of the report.

## **Summary**

- 2.16 FEMAs are intended to capture the way in which the economy and commercial property markets work. Previous research by ORS in 2015 suggested that South Somerset broadly comprised a FEMA in its own right, although accepting parts of West Dorset fall within it. Analysis of commuting data and consultation with a range of commercial market stakeholders confirms this finding. It is therefore appropriate to consider the South Somerset District as a FEMA for planning purposes.
- 2.17 The district broadly forms a single commercial property market, meeting local needs. It is not a strong office market location. Office occupiers will typically look to Taunton or Poundbury ahead of Yeovil or other locations in the district. There is some characterisation of Yeovil and A303 Corridor market areas within the district, however, these are not so clear cut as to make them categorical. Historically Yeovil has been the dominant economic centre in the district and it retains this position, however, in terms of commercial development in recent years it has struggled to deliver, with rural sites accounting for the lions share of development. More discussion of the commercial market dynamics are set out in the following chapter.

### 3 Commercial Market Review

- 3.1 This chapter sets out analysis of the commercial employment property market in South Somerset. This is primarily based on consultations with stakeholders (listed at Appendix 1) and supplemented with available data where appropriate.

#### Offices

- 3.2 The office market in South Somerset is described as weak and the area is not perceived as a significant office location. Larger scale, footloose office requirements would typically look to Taunton if not Bristol or Exeter. Poundbury was also cited as a more attractive location for smaller scale office requirements.
- 3.3 Historically the office market has been underpinned by public sector occupiers. The current trend in this market segment is towards consolidation and downsizing, with a number of examples cited of public occupiers retreating from current premises freeing up office space in the district (e.g. Somerset County Council vacating Maltravers House).
- 3.4 The private sector office market is particularly weak with very low demand. Demand which does exist is primarily small scale. This is typified by facilities such as the Yeovil Innovation Centre and Abbey Manor Business Centre, providing small fully serviced suites on highly flexible terms. These facilities are typically expensive in comparison to general office space, but the flexibility generates a rental premium. These, and other micro business facilities are reported to be performing well. The only grade A office space is at Motivo on the western edge of Yeovil. This retains a number of vacant suites and has been challenging to let.
- 3.5 There is no expectation among stakeholders of large-scale office development in Yeovil or the wider district area. Stakeholders cited substantial voids and Permitted Development (PD) conversions to residential of a number of office buildings in recent years.

#### Industrial

- 3.6 South Somerset is typically characterised as an industrial area. Yeovil is the core of this market, but there are successful industrial areas across the smaller towns and rural areas. Agents report strong demand, particularly for smaller scale premises. Vacancy across the district is reported as low. However, there remain some challenges in the development market, which are discussed below.
- 3.7 The district is not viewed as particularly attractive for large-scale B8 Distribution activities, which would more typically locate on the M5. However, the A303 does offer some opportunities in this regard.
- 3.8 Trade counter type uses have proved popular in recent years. There has also been increasing occupation of older industrial units by leisure type uses (e.g. play centres, gyms etc).
- 3.9 Some industrial stocks are reported to be reaching the end of their economic life. This has the potential to drive the need for refurbishment, upgrading and replacement (e.g. Pen Mill estate 40-50 yrs old). The introduction of Energy Performance Certification (EPC)

requirements on industrial premises from autumn 2017 may intensify this need. It was also reported that the eaves heights on much of the existing stock are not suited to the addition of mezzanines or use by modern distribution occupiers.

- 3.10 The potential to intensify uses of existing industrial areas is doubted due to the current challenges related to parking and access.

## **Rents and Values**

- 3.11 All consultees were asked to comment upon rental levels and land values across the district. It was frequently noted that the district is characterised by owner occupier demand, and hence the number of rental deals is comparatively low. In addition there has been no speculative development for many years meaning deals are based on second hand stock. In the land market there have been very few open market deals to enable a robust assessment.

### **Office Rents**

- 3.12 As noted previously the office market is weak. Motivo was cited as the only Grade A office space, with an asking rent of £13-15 per square foot (psf) per annum. However, this is proving challenging to let. Historically the market rate was understood to be £11-13psf but due to the weakening of the market this is starting to reduce, despite an unwillingness on the part of landlords. Examples of offices available at £8-10psf with short leases including break clauses were cited. This compares to £16-17psf in Taunton<sup>6</sup>.
- 3.13 Serviced offices such as the Yeovil Innovation Centre and Abbey Manor Business Centre are reported at approximately £22-26psf inclusive of utilities, business rates and servicing.

### **Industrial Rents**

- 3.14 The primary driver is indicated to be age and quality of stock, rather than location. Values for crisp newer stock are indicated to be similar across the district. For older stocks (e.g. Pen Mill), £4-5psf is cited, £6-7psf or higher is cited for industrial premises on the west of Yeovil where stock is newer. £7.50 - £8.50 is not thought unreasonable for new industrial. These figures are broadly comparable with those for Bridgwater and Taunton<sup>7</sup>.
- 3.15 Trade counter uses are able to secure higher values with figures of £6.50 – 11psf for good quality premises and a premium for smaller trade counters (£10-13 psf 750 – 1,500 sq ft).

### **Land Values**

- 3.16 The low volume of open market sales creates uncertainty as to current values. This is also cited as challenging where there are design and build contracts for which the apportionment of value to land/construction can be somewhat arbitrary.
- 3.17 On the basis of agents opinions values across the rural areas and smaller towns range from £80k per acre (no infrastructure) to £200k per acre (with infrastructure), with a central view

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<sup>6</sup> Alder King (2017) Market Monitor South West of England and South Wales Property Review

<sup>7</sup> Alder King (2017) Market Monitor South West of England and South Wales Property Review



around a value of approximately £130k - £150k per acre. There are some examples of higher values, particularly for sites close to the A303.

- 3.18 In the Yeovil area there is even greater uncertainty. The predominant landowner (Abbey Manor Group) is reported to request approximately £400k per acre. Some suggest this is overvalued and something closer to £300k would be more reasonable. Anecdotal evidence was provided of a recent deal in excess of £400k, but it was not thought to be representative of true market value, but rather the lack of supply/competition.

### **Demand Drivers**

- 3.19 South Somerset is not viewed as likely to attract substantial, large inward investment. It is anticipated that growth and demand will be underpinned through local companies growing. There are various examples of companies which started locally and have grown to become substantial regional, national and international firms (e.g Westland Aircraft [now Leonardo], Screwfix, Numatic and Bradfords). More of the same is anticipated, particularly with larger urban centres and motorway corridors being preferred by larger occupiers in both the office, industrial and distribution markets for reasons of workforce and accessibility. However, the attraction of South Somerset as a great place to live continues to generate new start up businesses, some of which will become the growth businesses of the future.
- 3.20 The role of Leonardo, its supply chain and the wider defence and aerospace sector is expected to be vital to the future economic health of the district. This sector has been critical to the economy of the area for many years and has led to many new businesses 'spinning out' from the prime contractors to establish a broader supply chain base. There remains some concern and uncertainty as to the underlying strength of this sector given recent announcements of withdrawal by GKN and the awarding of the major UK defence helicopter contract to Boeing (rather than Leonardo). Notwithstanding, Leonardo continues to deliver maintenance and repair contracts and there are opportunities to diversify into new markets such as Unmanned Autonomous Vehicles (UAVs).
- 3.21 In commercial property terms there is anticipation of a move to smaller building footprints with improved utilisation of space. This has been evidenced through recent repatriations of staff from elsewhere in the country to business premises in South Somerset without requiring new or expanded facilities. It was cited that the trends towards more efficient space utilisation that have been prevalent in major cities and higher cost locations are now filtering down to market areas such as South Somerset.
- 3.22 The upgrading to the A303 and A358 are cited as opportunities. With a need to consider whether there is a need to allocate sites in order to capture the potential benefits of this.

### **Development Market**

- 3.23 Clear challenges related to the development market were cited by stakeholders. These could helpfully be summarised under the following headings:

- The viability challenge
- The need for proactive landowners

- 3.24 The viability challenge is significant and is reported by all stakeholders. This issue has been particularly prevalent since the economic crisis in 2008. It is a challenge across much of the UK, but appears particularly acute in South Somerset. There has been little or no speculative building across the district over the last 10 years. It is consistently reported that end values are insufficient to cover land and build costs in large parts of the district, particularly around Yeovil. As a result it is impossible to commercially finance speculative development. In particular the rising cost of providing infrastructure to new strategic sites is a major reported challenge which cannot be supported with current market rents/values. This has led to challenges in bringing forward employment land at strategic locations across the district.
- 3.25 New development is therefore restricted to cases where there is an end user in place. It is also cited that in many cases such developments are justified by end users on the grounds of business operations and not investment returns.
- 3.26 The situation is exacerbated by residential hope value amongst landowners. However, the fundamental viability problem remains, without issues of hope value. It was noted that it is very challenging to deliver viable residential development, with much higher returns, highlighting the underlying financial problems in bringing forward employment development.
- 3.27 Proactive landowners and developers are cited as critical to enabling development to come forward. The district is characterised by local networks and dominant landowners/developers in each town or locality. Where there is identified need (a clear end user) a number of developers have brought development forward. This is predominantly in locations where there is no residential hope value.
- 3.28 It was also noted that some developers are insistent on Design & Build (D&B) arrangements which can hamper development coming forward. In order to make development viable some freehold end users would rather purchase land on the open market and look to cost save through managing or delivering construction themselves, but this isn't always possible. Access to land in some locations is also hampered through limited land ownerships and a lack of competition. Whilst it is clearly acknowledged that landowners are entitled to choose how to utilise their assets, it is making it even more challenging to bring forward employment development at a time where the challenges are already substantial. A means to encourage more proactivity and flexibility would therefore be welcomed by stakeholders.

## **Barriers and Constraints**

- 3.29 The most significant barriers cited are those referenced above in terms of the development market. In addition, multiple stakeholders are keen to see greater clarity over the role and function of Yeovil town centre and the overall identity of South Somerset, to ensure it is well positioned with a good offer in the marketplace. The challenges in attracting retail and leisure occupiers to the town were frequently noted. The weak offer makes it challenging to attract and retain the type of workers that modern businesses require and doesn't capture the expenditure of residents in the surrounding hinterland, with leakage to centres outside the

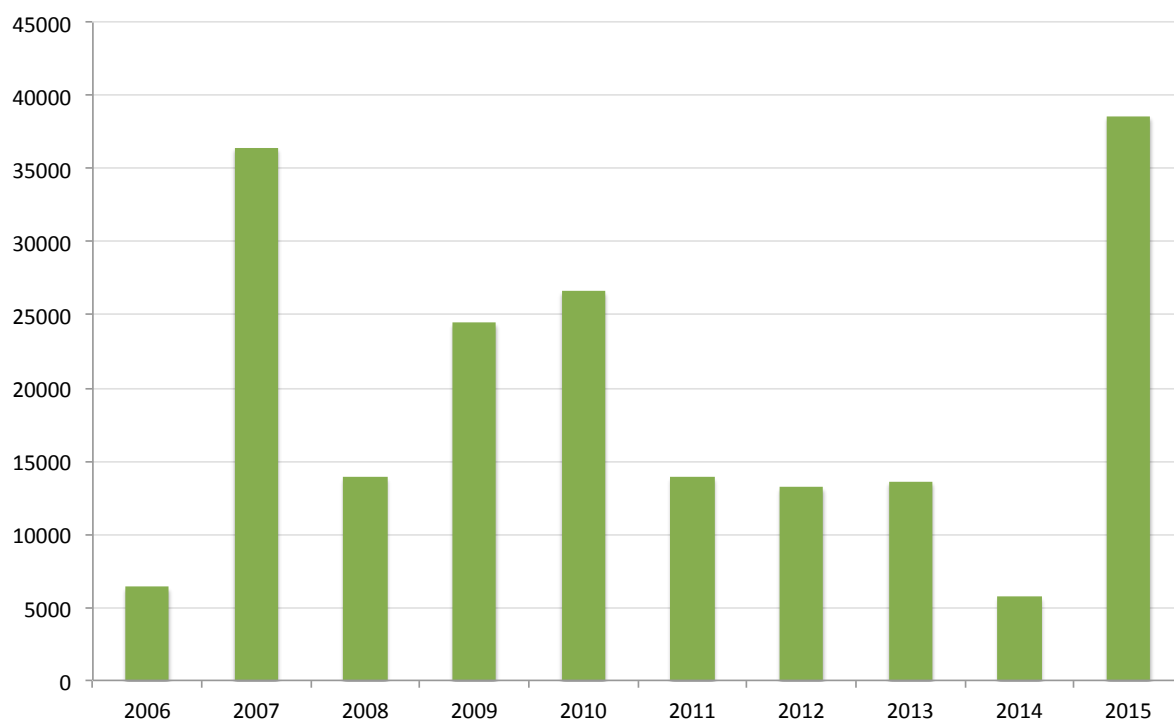
district. Whilst this is not predominantly an employment land issue, it is viewed as a key economic development challenge for the district. There is no economic development strategy for the district. Something that can clearly articulate the way forward for the district economy, setting out its ambitions and USPs would be welcomed.

- 3.30 There is some concern around the current employment allocations policy within the South Somerset Local Plan. This includes the 'directions of growth' policy which doesn't clearly demarcate parcels of land for employment use and hence provides the possibility of residential values for landowners. Also the concentration of strategic allocations that require major infrastructure delivery, which is becoming increasingly challenging and is clearly not delivering.

### **Historic Take Up**

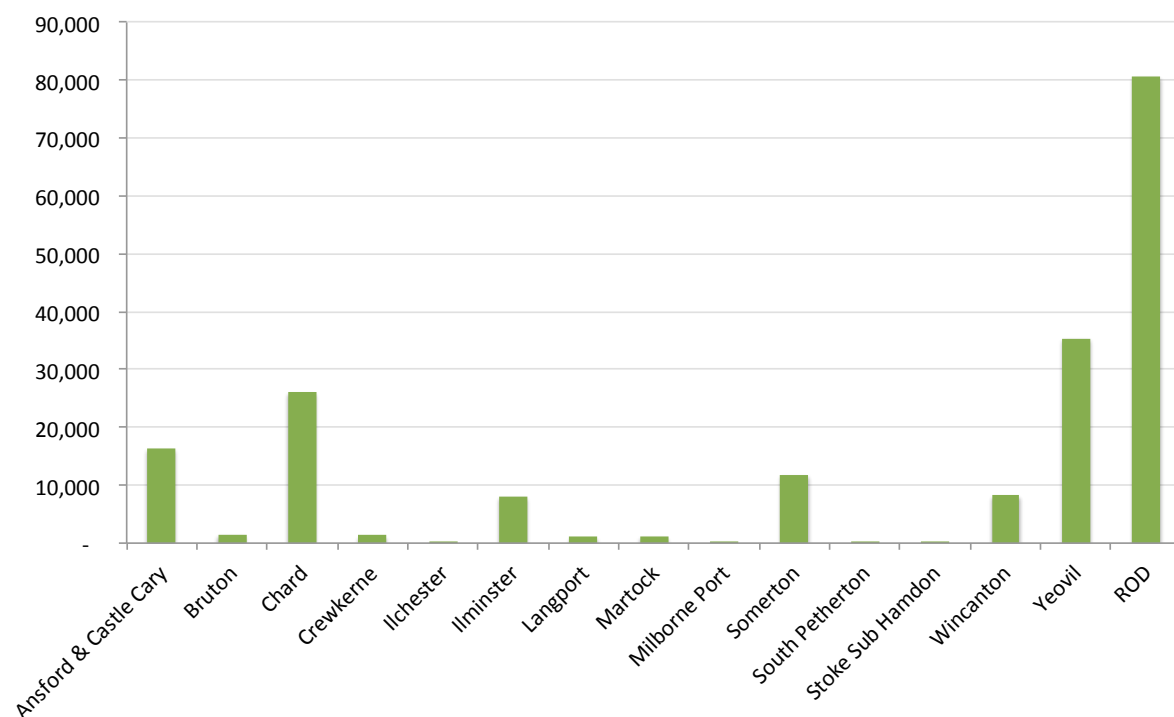
- 3.31 South Somerset District Council has compiled detailed monitoring records for employment development from 2006 onwards. This data has been analysed, and is shown in figure 3.1. It should be noted that this differs from the data in the SSDC Economic Development Monitoring Report which includes data for all employment generating uses and not just the B Use Class.
- 3.32 Figure 3.1 helpfully illustrates a number of points. Firstly, that annual levels of activity vary substantially. This is not uncommon and is likely to continue into the future. It is important to appreciate the 'lumpy' nature of development.
- 3.33 Over the ten-year period for which data is available gross completions of B Use Class floorspace average 19,400 sq m per annum. However, the range is from approximately 5,000 sq m to nearly 40,000 sq m. The years with peaks include a small number of large facilities for particular end users. Whilst there may not be any such known requirements in the current pipeline it is likely that in future years locally based companies will grow and one or two peak years in each decade may well occur.
- 3.34 It is not possible to accurately disaggregate the data by sub Use Class due to the way it is recorded. However, industrial (B1c, B2 and B8) uses predominate, with a large component recorded as 'B mixed'. Approximately 3% of total completions are recorded as office development. Whilst a proportion of 'B mixed' may include offices it is reasonable to assume the vast majority of historic activity has been to deliver industrial uses.
- 3.35 Figure 3.2 illustrates the distribution of new B Use Class floorspace by settlement. Detailed data is set out at Appendix 3. What is striking is the dominance of the 'rest of district (ROD)' category. This accounts for more than 40% of all development across the district in the 2006-15 period. This rises to more than 50% since 2009. At the settlement level the dominant centres are Yeovil (18%), Chard (14%), Castle Cary (9%), Somerton (6%), Wincanton (4%) and Ilminster (4%).

**Figure 3.1 - Historic B Use Class Gross Completions in South Somerset (sq m)**



Source: HJA based on SSDC Monitoring

**Figure 3.2 – Historic B Use Class Gross Completions in South Somerset Settlements incl. Rest of District, 2006-2015 (sq m)**



Source: HJA based on SSDC data

- 3.36 HJA has compared historic development to Local Plan Allocations as set out at Policy SS3. There are no allocations outside the settlements within the 'rest of district' area. As a result delivery on the ground is strikingly different from the planned policy position. When excluding the 'rest of district' area the pattern of development to date again differs from Local Plan allocations. Chard, Somerton, Castle Cary and Wincanton have delivered, in percentage terms, ahead of their allocations. However, Crewkerne, Ilminster, Yeovil and many of the smaller settlements have delivered below their percentage. This is of particular note given the presence of strategic employment sites at Yeovil, Crewkerne and Ilminster. These have proved challenging to bring forward. This further compounds the difference between policy aim and on-the-ground reality within the plan period to date.

## 4 Implications for Short Term Employment Sites & Premises Demand

- 4.1 This chapter provides a summary of the findings and draws out the implications for short term employment sites and premises demand.

### Summary

- 4.2 The analysis in the preceding chapters confirms that South Somerset District is a reasonably well contained FEMA, albeit with linkages across administrative boundaries, particularly with Sherborne and the northern parts of West Dorset.
- 4.3 The FEMA is characterised as a largely industrial area in terms of its commercial employment property market. Completions over the past 10 years have been predominantly industrial (B1c, B2 and B8) in nature. Yeovil is the largest centre with an historical focus in the aerospace/defence sector. However, in recent years development has primarily come forward in rural areas away from the strategic employment allocations.
- 4.4 The office market is perceived as weak, with much stronger offers in major urban centres such as Taunton, Bristol and Exeter. Poundbury also has a stronger office offer than South Somerset. Historically the office market in the district has been underpinned by public sector requirements. At present public sector occupiers are consolidating and withdrawing from occupied space with no indication this will change. The private sector market is largely small and micro occupiers. Small scale serviced office space proves popular but there is little demand for larger floorplates.
- 4.5 The development market is subject to a number of constraints. Viability is the biggest challenge, particularly for strategic sites that require substantial infrastructuring. Infrastructured land is not coming forward in Yeovil which is further constraining any development coming forward.

### Short Term Demand

- 4.6 Speculative development is unlikely in either the office or industrial sectors due to the challenges of viability. Until such time as rental levels increase this is not expected to change.
- 4.7 Based on the views of stakeholders the short-term requirement for office development is low to non-existent. Demand for offices that does come forward is expected to be from local businesses as they start-up and grow. It is anticipated that where possible, businesses will seek to intensify occupation of existing floorspace in the first instance. The most popular facilities are serviced managed workspaces with highly flexible terms. There appear to be range of products in the market ranging from higher quality in the Yeovil Innovation Centre and Abbey Manor Business Centre to lower cost options such as at the rear of the Qedam Centre in Yeovil.
- 4.8 There continues to be demand for industrial premises. Vacancy is reported to be low, with the strongest demand predominantly for smaller unit sizes. Demand is stronger for freehold

than leasehold arrangements. Cost is a substantial issue for occupiers and there is no substantive evidence of major requirements that will lead to the unlocking of strategic sites. In the near term it is expected to be more of what has happened in the recent past, with proactive landowners and developers delivering where there is a clear end user in place. This is likely to be on sites where infrastructure is already in place as the costs of delivering infrastructure are seemingly prohibitive. This is challenging in an environment where the majority of strategic allocations in the Local Plan require substantial infrastructure provision. As a result the recent pattern of development has been outside the main towns

## Policy Implications

- 4.9 The market evidence poses challenges for SSDC as policy makers. Whilst demand, particularly in the industrial sector, is generally strong the development market is hampered by substantial viability issues. This is exacerbated where costly infrastructure is required to open up new sites. As a result delivery over the period 2006-15 has been substantially different to policy aims with challenges bringing forward strategic sites. 40% of B Use Class development has come forward in the 'rest of district' area outside the named settlements. On the basis of the evidence the areas for policy focus should include:

- Planning for employment land on a district wide basis in line with the FEMA analysis.
- Considering the future economic role and function of Yeovil and the wider district, potentially as part of a wider economic development strategy. This will help to set the economic direction for the area and be used as a tool to build investor and occupier confidence and direct stakeholder efforts.
- Considering how best to capitalise on opportunities around A303 improvements and ensuring appropriate employment land supply.
- Ensuring allocations across a mix of land ownerships where possible to provide additional competition in the land market.
- Considering ways to tackle the viability challenge, including:
  - Seeking to retain and upgrade existing employment sites.
  - Taking a positive approach to innovative proposals to deliver higher values or lower cost construction and bring forward employment development (e.g. storage container type development)
  - Considering how to deliver infrastructure to open up strategic sites to bring forward employment land.
  - Considering how best to utilise sites where SSDC and other public sector partners have influence.
  - Seeking to lobby for, coordinate and direct public sector financial resources in ways which can support the development of employment sites and premises.
  - Taking policy approaches which are sufficiently clear to reduce expectation of residential value returns on employment sites.

## Appendix 1: List of Consultees

- Shaun Travers & Matt Frost – Boon Brown
- Steve Edmonds – Edmonds Commercial
- Neville Thorner – Symonds & Sampson
- Nigel Timmis & John Timmis – Abbey Manor Group
- Robert Clarke & Mark Chugg – Greenslade Taylor Hunt
- David Foot & John Read – Chesters Commercial
- Andrew Maynard – Alder King
- Tony Carvin

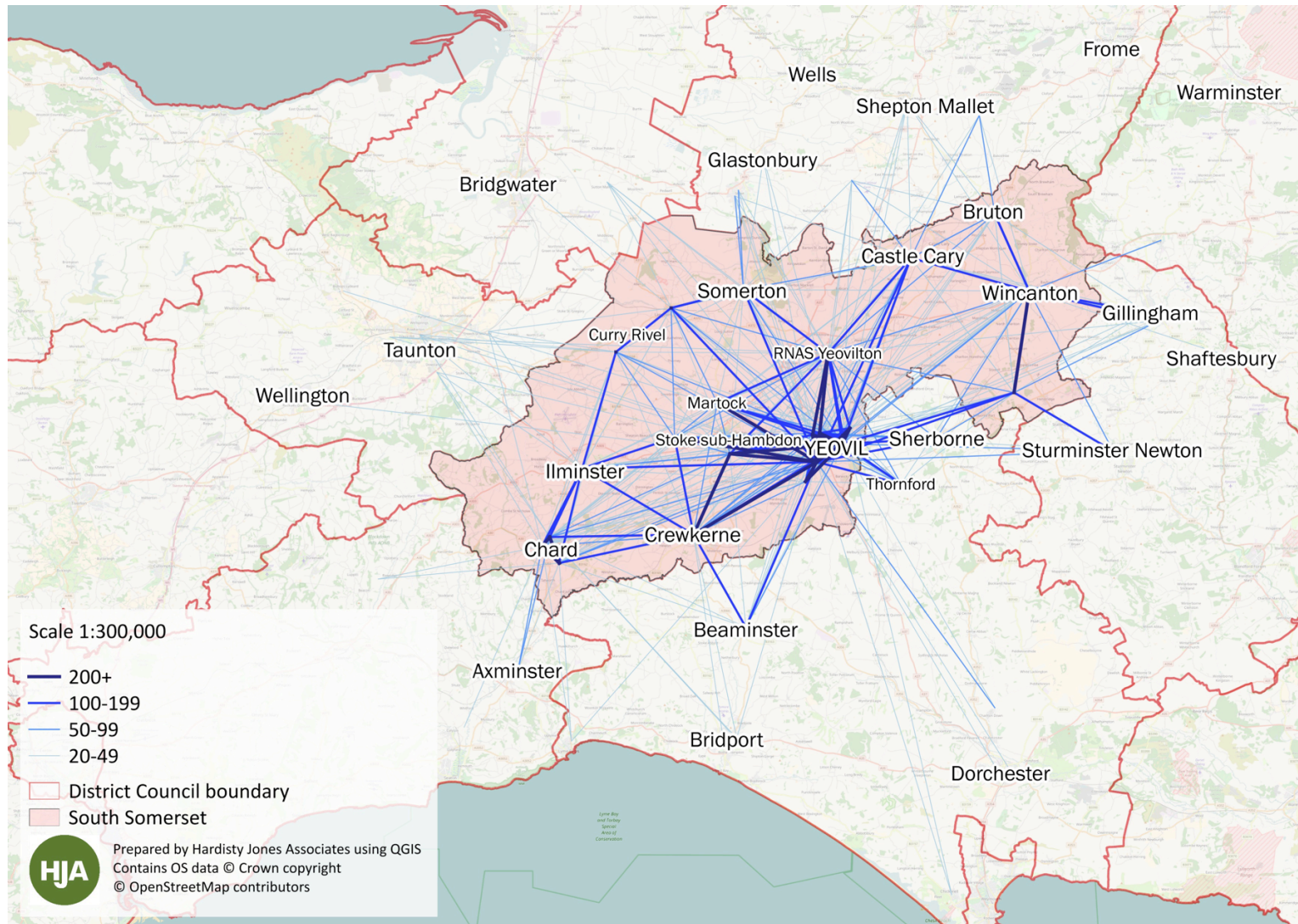
A workshop was held with a number of South Somerset District Council officers:

- Jo Manley
- Jo Wilkins
- Helen Rutter
- David Julian
- Simon Fox
- Dave Norris
- Adrian Noon
- Martin Woods
- Andrew Gunn



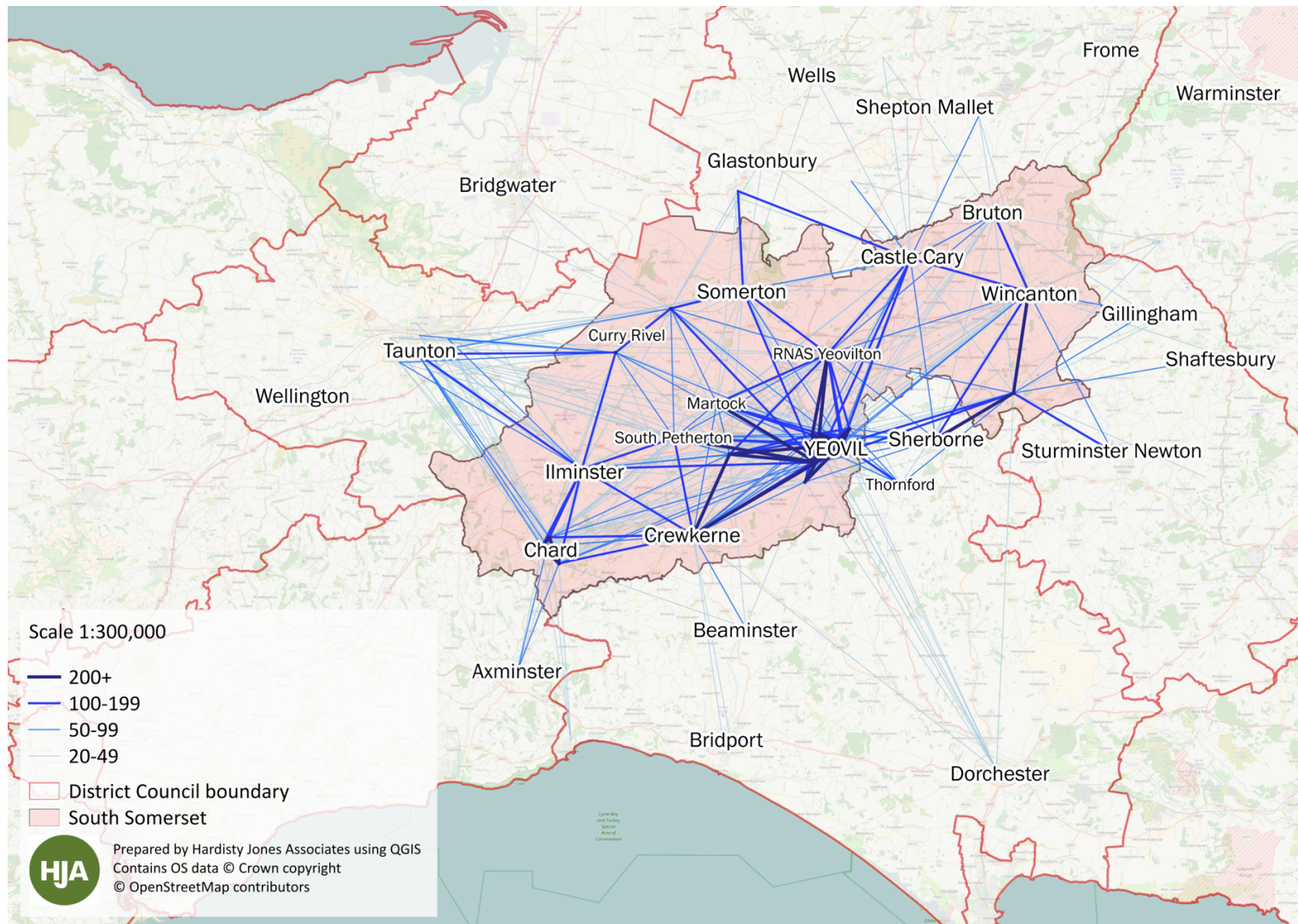
## Appendix 2: Commuting Maps

## In Commuting (2011 Census)





## Out Commuting (2011 Census)



### Appendix 3: Floorspace Completions by Settlement, 2006-2015 (sq m)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Grand Total
<b>Ansford &amp; Castle Cary</b>		12,815					450		3,111		16,376
<b>Bruton</b>				1,355			92			56	1,503
<b>Chard</b>	290	63		3,257	4,588	1,410	3,800			12,712	26,120
<b>Crewkerne</b>		490	163							658	1,312
<b>Ilchester</b>		69		283							352
<b>Ilminster</b>	1,485	2,414	515	2,868			192	450		160	8,084
<b>Langport</b>		633		202			19	79		104	1,036
<b>Martock</b>		644		164		398					1,206
<b>Milborne Port</b>			252		113						365
<b>Somerton</b>		6,062	2,603	675		1,620			175	709	11,844
<b>South Petherton</b>								28		46	74
<b>Stoke Sub Hamdon</b>				45				30			75
<b>Wincanton</b>	425	3,040	1,169	219	265	901				2,276	8,295
<b>Yeovil</b>	3,905	4,171	4,596	4,445	4,397	2,690	2,921	4,976	34	3,269	35,405
<b>Rest of District</b>	286	5,970	4,588	10,921	17,226	6,874	5,733	8,037	2,430	18,528	80,593
<b>Grand Total</b>	<b>6,391</b>	<b>36,370</b>	<b>13,886</b>	<b>24,434</b>	<b>26,589</b>	<b>13,893</b>	<b>13,206</b>	<b>13,600</b>	<b>5,750</b>	<b>38,519</b>	<b>192,639</b>